



ADDENDUM TO THE DOWNTOWN CONCORD
STUDY AREA MARKET ANALYSIS
(April, 1985)

This addendum serves as an update to the Downtown Concord Study Area Market Analysis which was prepared for the Concord Redevelopment Agency in December of 1983. The focus of ERA's study was to assist the Agency in planning for the redevelopment of the "Downtown Study Area" in a comprehensive manner, and to ensure that the planning alternatives being considered were realistic in the context of land development economics. Because of the vast amount of development activity that has occurred in Concord and the Central Contra Costa County area, as well as the numerous development proposals being considered since the study was prepared, the Redevelopment Agency has requested ERA to re-examine the office market analysis to ensure that the office demand projections prepared in 1983 are still realistic.

In order to update the Central Contra Costa County office market analysis, ERA conducted the following tasks:

- o Identified new office projects built since 1982, and estimated existing office inventory at year-end, 1984. This was compared with the office inventory at year-end, 1982.
- o Estimated vacant office inventory at year-end 1984 and compared it to the vacant office inventory at year-end 1982.
- o Estimated the annual office space absorption since 1982.
- o Estimated office space currently under construction or planned for development, and compared it with same at year-end 1982.
- o Identified the total non-committed space in office projects under construction or planned for development at year-end 1984 and compared it with same at year-end 1982.



- o Estimated the future office supply, including current vacant inventory, and non-committed space in office projects currently under construction or planned for development.
- o Projected the annual office space absorption over the next fifteen years and compared these projections with office demand forecasts prepared in 1983.

This update has enabled ERA to monitor the office construction and leasing activity in the Central Contra Costa County market area over a full two year period. The projections presented in ERA's Downtown Concord Study Area Market Analysis are based on December, 1982 data. This information has been compared with the most recent comprehensive data available from December, 1984. ERA's findings from the updated office market analysis are presented in the subsections that follow and summarized in the attached Tables D-1 through D-3.

Existing Office Inventory

By December of 1984, the total office inventory in Central Contra Costa County reached nearly 7.1 million square feet up from 4.8 million square feet in December of 1982 (see Table D-1). Walnut Creek has a total of approximately 4.4 million square feet of office space, representing 62 percent of Central County's office inventory. Concord has over 1.9 million square feet, representing 27 percent of the Central County office supply, and Pleasant Hill has an estimated 0.7 million square feet of office space, representing 11 percent of the total office inventory in the Central County area. Nearly one-half of the current office inventory in Central Contra Costa County has been built over the last five years.

New Office Construction

Since 1982, over 2.2 million square feet of new office space was built in Central Contra Costa County. In Walnut Creek, over 1.4 million square feet of new office space was added, representing 64 percent of the

Table D-1

REVIEW OF OFFICE DEVELOPMENT ACTIVITY IN
CENTRAL CONTRA COSTA COUNTY SINCE 1982

	<u>December, 1982</u> <u>(Square Feet)</u>	<u>December, 1984</u> <u>(Square Feet)</u>
<u>Existing Office Space</u>		
Concord	1,372,000 ^{1/}	1,918,000
Walnut Creek	2,971,000	4,384,000
Pleasant Hill	499,000	749,000
<u>Total Central County</u>	<u>4,842,000^{1/}</u>	<u>7,051,000</u>
<u>Vacant Office Space</u>		
Concord	75,000	227,000
Walnut Creek	470,000	953,000
Pleasant Hill	165,000	158,000
<u>Total Central County</u>	<u>710,000</u>	<u>1,338,000</u>
<u>Occupied Office Space</u>		
Concord	1,297,000	1,691,000
Walnut Creek	2,501,000	3,431,000
Pleasant Hill	334,000	591,000
<u>Total Central County</u>	<u>4,132,000</u>	<u>5,713,000</u>
<u>Average Annual Absorption</u>		
Concord	175,000	197,000
Walnut Creek	325,000	465,000
Pleasant Hill	50,000	129,000
<u>Total Central County</u>	<u>550,000</u>	<u>791,000</u>

^{1/}Revised from December, 1983 study. Two projects with a total of 263,000 square feet of office space were included in the "Existing Office Space" inventory for December, 1982, but were actually not completed until early 1983.

Source: Coldwell Banker and Economics Research Associates



total new office construction in Central County. In Concord, nearly 0.6 million square feet of new office space was added, representing 25 percent of the new office construction, and in Pleasant Hill, an estimated 0.25 million square feet of new office space was built representing 11 percent of the new office construction in the Central County area.

Office Vacancy Rate

Due to the vast amount of new office space coming on the market in Central Contra Costa County, vacancy rates have risen substantially. As shown in Table D-1, by year-end 1984, an estimated 1.3 million square feet of vacant office space was available in Central County, representing an overall vacancy rate of 19 percent. Walnut Creek accounted for a vast majority (71 percent) of the Central County's vacant office inventory, with approximately 950,000 square feet of vacant office space. Walnut Creek's vacancy rate rose from 16 percent in 1982 to 22 percent in 1984. Concord's vacancy rate rose from five percent in 1982 to 12 percent in 1984 with a vacant office inventory of 227,000 square feet. Pleasant Hill's office vacancy rate by the end of 1984 was approximately 21 percent, with an estimated 158,000 square feet of vacant office space. An estimated two thirds of Central County's vacant office space exists in the new office projects completed over the last two years. An estimated one half of the vacant office space exists in office projects completed within the last year.

Office Absorption Rate

Over the last two years, the office space absorption in Central Contra Costa County has averaged around 791,000 square feet per year, a 44 percent increase over the average annual absorption of 550,000 square feet prior to 1982. Walnut Creek accounted for approximately 59 percent of Central County's recent office absorption, averaging around 465,000 square feet per year. Concord accounted for approximately 25 percent of the recent office space absorption in Central County, averaging around 197,000 square



feet per year, and Pleasant Hill accounted for 16 percent of Central County's recent office absorption average of around 129,000 square feet per year.

As shown in Table D-1, the recent average annual office space absorption rate are in line with ERA's 1983 projections. Excluding the Bank of America project, ERA projected Concord would absorb 220,000 square feet between 1983 and 1987, including 97,000 square feet in the Downtown Study Area and 123,000 in the West Concord area. The average annual absorption was actually 197,000 square feet over the last two years. ERA anticipates the rate of office space absorption in Concord will accelerate as new office projects are completed. Concord Airport Plaza Phase II with 175,000 square feet which is fully preleased is scheduled to be completed in August of 1985. Concord Gateway Phase I with 300,000 square feet is scheduled to be completed in the fall of 1985, and the Wieting, Confer, Nance project with 200,000 square feet is scheduled to be completed in the fall of 1986.

Office Projects Under Construction or Planned for Development

The total amount of office space currently under construction or planned for development has decreased slightly in Walnut Creek and Pleasant Hill. Since 1982, many of the projects then under construction have now been completed. In Concord, however, there has been an increase in the total amount of office space currently under construction or planned for development since 1982, reflecting the numerous proposals for major office projects that have been activated over the last two years. As shown in Table D-2, Concord currently has 4.2 million square feet of new office space under construction or proposed for development, including the 1.1 million square foot Bank of America facility. In addition to the Bank of America project, at present there are five office projects under construction, comprising a total of 757,000 square feet. An additional 2.6 million square feet of office space in nine projects (or subsequent phases of existing projects) is in various stages of the planning and review process. By year-

Table D-2

REVIEW OF OFFICE PROJECTS UNDER CONSTRUCTION
 OR PLANNED FOR DEVELOPMENT IN
 CENTRAL CONTRA COSTA COUNTY
 (1982 and 1984)

	<u>December, 1982</u> <u>(Square Feet)</u>	<u>December, 1984</u> <u>(Square Feet)</u>
<u>Office Space Under Construction</u>		
Concord	578,000	1,557,000 ^{1/}
Walnut Creek	718,000	1,792,000
Pleasant Hill	210,000	--
Total Central County	1,506,000	3,357,000
<u>Office Space Planned For Development</u>		
Concord ^{1/}	3,467,000	2,648,000
Walnut Creek	3,206,000	1,087,000
Pleasant Hill	448,000	596,000
Total Central County	7,121,000	4,331,000
<u>Total Office Space Under Construction</u> <u>or Planned for Development</u>		
Concord	4,045,000	4,205,000
Walnut Creek	3,924,000	2,878,000
Pleasant Hill	658,000	596,000
Total Central County	8,627,000	7,679,000

^{1/} Includes 700,000 square feet for the Bank of America facility, Phase I and II.

Source: Coldwell Banker and Economics Research Associates



end 1984, there was a total of 7.7 million square feet of office space being developed or planned in Central Contra Costa County, as compared with 8.6 million square feet by year end 1984.

Total Non-Committed Office Space In Projects Under Construction or Planned for Development

Preleasing activity has actually increased over the last two years. An estimated 25 percent of the new office space currently being developed has been preleased, as compared with only 13 percent at year-end 1982. As shown in Table D-3, at present, there is 5.2 million square feet of non-committed office space in projects currently under construction or planned for development, including 1.9 million square feet in Concord, 2.8 million square feet in Walnut Creek, and 0.5 million square feet in Pleasant Hill.

Total Vacant Office Inventory

Combining the vacant space in existing office buildings with the non-committed space in office projects being developed or proposed for development, ERA estimates there will be approximately 6.5 million square feet of future office supply available in Central Contra Costa County over the next five to ten years, as shown in Table D-3. Some of the office projects proposed for development may never be built, but some new projects not currently in the planning process may come on line. In Walnut Creek, there is currently 3.7 million square feet of non-committed office space, as compared with 2.1 million square feet in Concord and 0.7 million square feet in Pleasant Hill.

Conclusions

The recent office construction and leasing activity in Central Contra Costa County has been in line with ERA's office demand forecasts prepared in 1983. ERA projected office absorption rates to be 220,000 square feet per year (excluding the Bank of America project) in Concord between 1983 and 1987. An average of 197,000 square feet was actually absorbed per year in

Table D-3

FUTURE OFFICE SUPPLY IN CENTRAL CONTRA COSTA COUNTY

	December, 1982 (Square Feet)	December, 1984 (Square Feet)
<u>Non-Committed Space In Office Projects Under Construction</u>		
Concord	578,000	580,000
Walnut Creek	703,000	1,704,000
Pleasant Hill	204,000	--
Total Central County	<u>1,485,000</u>	<u>2,284,000</u>
<u>Non-Committed Space in Office Projects Planned for Development</u>		
Concord	2,467,000	1,340,000
Walnut Creek	3,072,000	1,057,000
Pleasant Hill	446,000	520,000
Total Central County	<u>5,985,000</u>	<u>2,917,000</u>
<u>Total Non-Committed Space in Office Projects Under Construction or Planned for Development</u>		
Concord	3,045,000	1,920,000
Walnut Creek	3,775,000	2,761,000
Pleasant Hill	650,000	520,000
Total Central County	<u>7,470,000</u>	<u>5,201,000</u>
<u>Vacant Office Space In Completed Projects</u>		
Concord	75,000	227,000
Walnut Creek	470,000	953,000
Pleasant Hill	165,000	158,000
Total Central County	<u>710,000</u>	<u>1,338,000</u>
<u>Future Office Supply</u>		
Concord	3,120,000	2,147,000
Walnut Creek	4,245,000	3,714,000
Pleasant Hill	815,000	678,000
Total Central County	<u>8,180,000</u>	<u>6,539,000</u>

Source: Coldwell Banker and Economics Research Associates



1983 and 1984 (see Table D-4). This absorption rate is expected to go even higher during 1985, 1986, and 1987, as new office space becomes available in Concord. For instance, the Concord Airport Plaza Phase II with approximately 175,000 square feet is fully preleased. However, the project will not be available for occupancy until August, 1985. Two other major office developments with a total of 500,000 square feet are also scheduled to be completed in 1985 or 1986. In view of the new office space being completed in Concord, ERA feels the 220,000 average annual absorption rate is attainable and realistic for the 1983 to 1987 period.

ERA also projected the average annual office space absorption in Walnut Creek from 1983 to 1987 to be around 440,000. A review of leasing activity shows that an average of 465,000 square feet of office space was actually absorbed during 1983 and 1984. Similarly, ERA projected an average of 120,000 square feet of new office space would be absorbed in the five-year period from 1983 to 1987 in Pleasant Hill. In 1983 and 1984, an average of 129,000 square feet of office space was leased per year.

This market update shows that ERA's original office demand projections for Central Contra Costa County which were prepared in 1983 are attainable and realistic. As shown in Table D-4, ERA projects the total demand for office space in Central Contra Costa County to be 16.2 million square feet from 1983 to 1997, including 6.2 million square feet in Walnut Creek, and 2.4 million square feet in Pleasant Hill. Concord is expected to capture approximately 38 percent of the total Central County office demand during this period. Walnut Creek is expected to capture approximately 47 percent, and Pleasant Hill is expected to capture 15 percent of the total Central County office demand.

Table D-4

PROJECTED OFFICE SPACE DEMAND
IN CENTRAL CONTRA COSTA COUNTY

	Actual Average Annual Absorption 1982-1984			Projected Average Annual Absorption (Excluding Bank of America)			Projected Average Annual Absorption (Including Bank of America)			Total Office Demand (Excluding Bank of America) 1983-1997		Total Office Demand (Including Bank of America) 1983-1997	
	1983-1987	1988-1992	1993-1997	1983-1987	1988-1982	1993-1997	1983-1987	1988-1982	1993-1997	1983-1997	1983-1997	1983-1997	
Concord	197,000	220,000	340,000	480,000	360,000	400,000	480,000	5,200,000	6,200,000				
Walnut Creek	465,000	440,000	500,000	580,000	440,000	500,000	580,000	7,600,000	7,600,000				
Pleasant Hill	129,000	120,000	160,000	200,000	120,000	160,000	200,000	2,400,000	2,400,000				
Central County	791,000	780,000	1,000,000	1,260,000	920,000	1,060,000	1,260,000	15,200,000	16,200,000				

Source: Economics Research Associates